

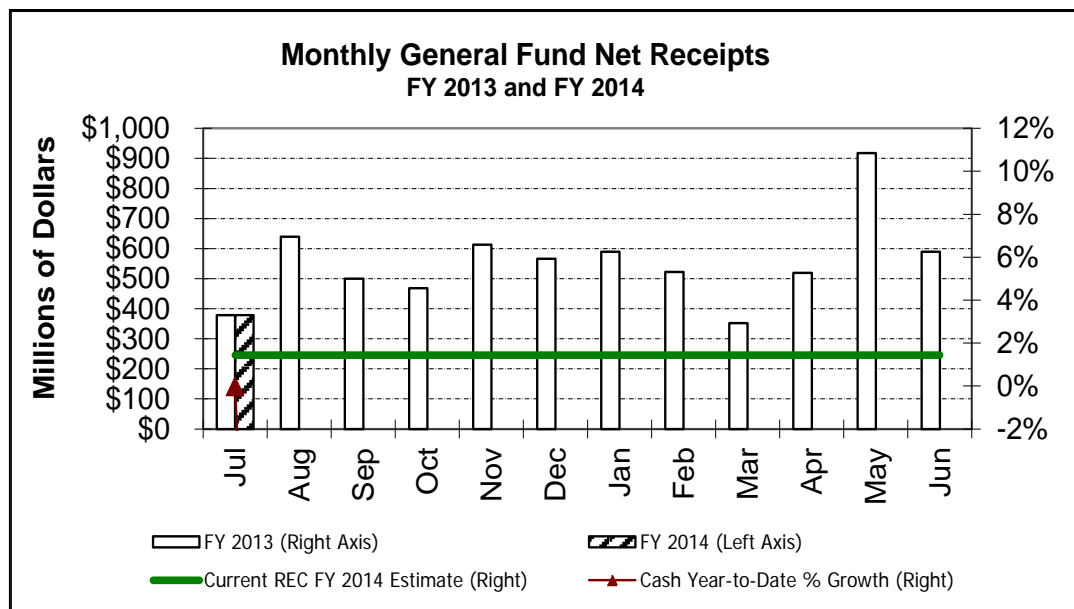
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: August 1, 2013

Monthly General Fund Receipts through July 31, 2013

The attached spreadsheet presents FY 2014 General Fund total net receipts with comparable figures for actual FY 2013. The figures can be compared to the FY 2014 estimate of \$6.770 billion set by the Revenue Estimating Conference (REC) on March 22, 2013. The FY 2014 estimate is an increase of \$95.7 million (1.4%) compared to FY 2013 total net receipts (excludes transfers), but does not include any revenue adjustments enacted after the last REC meeting. The next REC meeting has not been scheduled.



Overview of Current Situation

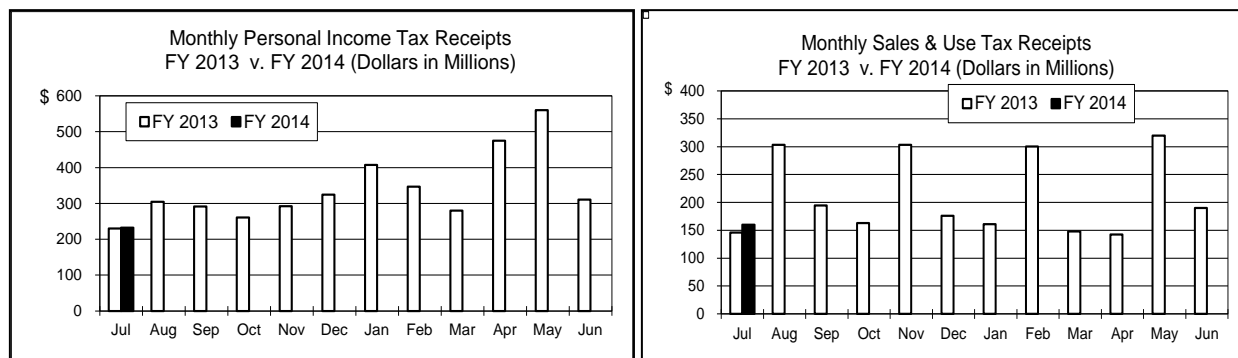
July 2013 net General Fund revenue was \$100,000 below (-0.0%) the July 2012 revenue level. Major sources of tax revenue and their contribution to the July 2013 change include:

- Personal income tax (positive \$2.6 million, 1.1%)
- Sales/use tax (positive \$14.1 million, 9.7%)
- Corporate tax (positive \$8.0 million, 17.3%)
- Other taxes (positive \$1.2 million, 7.9%)

- Other receipts (negative \$8.3 million, -33.9%)
- Tax refunds not including school infrastructure refunds (negative \$4.1 million)
- School infrastructure sales/use tax refunds (negative \$13.4 million)

Personal Income Tax revenue received in July totaled \$232.3 million, an increase of \$2.6 million (1.1%) compared to July 2012.

The FY 2014 REC income tax estimate of \$4.134 billion represents a projected increase of 1.2% compared to actual FY 2013. By subcategory, withholding payments decreased by \$1.4 million (-0.7%), estimate payments increased \$0.7 million (2.4%), and payments with returns increased by \$3.3 million (65.7%). The following chart compares FY 2014 monthly income tax receipts from the three personal income tax subcategories with FY 2013.



Sales/Use Tax receipts received in July totaled \$159.9 million, an increase of \$14.1 million (9.7%) compared to July 2012.

The REC estimate for FY 2014 sales/use tax receipts is \$2.676 billion, an increase of 5.0% compared to actual FY 2013. The preceding chart compares FY 2013 monthly sales/use tax receipts with FY 2013.

Corporate Tax receipts received in July totaled \$54.3 million, an increase of \$8.0 million (17.3%) compared to July 2012.

The REC estimate for FY 2014 corporate tax revenue is \$556.6 million, an increase of 0.2% compared to actual FY 2013.

Other tax receipts received in July totaled \$16.3 million, an increase of \$1.2 million (7.9%) compared to July 2012.

The REC estimate for FY 2014 other tax revenue is \$385.8 million, an increase of 3.8% compared to actual FY 2013.

Other receipts (non-tax receipts) received in July totaled \$16.2 million, a decrease of \$8.3 million (-33.9%) compared to July 2012. Timing of liquor profit and miscellaneous receipt deposits last July can be attributed to the decrease and will likely reverse in August.

The REC estimate for FY 2014 other receipts revenue is \$344.2 million, an increase of 4.3% compared to actual FY 2013.

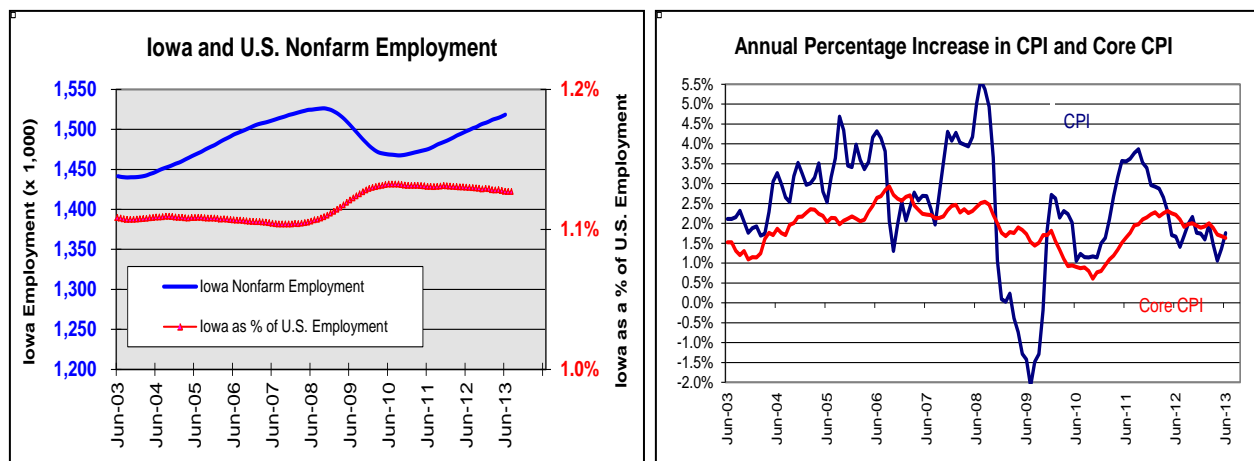
Tax Refunds issued in July totaled \$32.6 million, an increase of \$4.1 million (14.4%) compared to July 2012. In addition, school infrastructure refunds totaled \$68.1 million in July, an increase of \$13.4 million compared to July 2012.

Status of the Economy

Iowa nonfarm employment was reported at 1,546,300 for the month of June (not seasonally adjusted), 23,900 higher (1.6%) than June 2012.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,518,500 resulting in an annual average Iowa nonfarm employment level 7,900 below the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since that time, Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment.



The Consumer Price Index (CPI-U) through June 2013 was 233.5 (1983/84=100). Consumer prices decreased 0.2% in June (not seasonally adjusted) and the annual rate of inflation increased for the second consecutive month and stood at 1.8%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.1% in June and totals 1.6% year-over-year. The annual rate of core inflation has decreased four consecutive months, and ten times time in the past fourteen months. For the two components excluded from the core rate, energy prices are up 3.2% year-over-year and food prices are up 1.4%.

Information related to State General Fund receipts is available on the Fiscal Services Division's website at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2013 vs. FY 2014 July 1 through July 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 13 Actual Compared to FY 14 REC Estimate		
	FY 2013	FY 2014	Year to Date % Change	July % Change	Actual FY 2013	Estimate FY 2014	Projected % Change
Personal Income Tax	\$ 229.7	\$ 232.3	1.1%	1.1%	\$ 4,083.9	\$ 4,133.5	1.2%
Sales/Use Tax	145.8	159.9	9.7%	9.7%	2,547.6	2,676.1	5.0%
Corporate Income Tax	46.3	54.3	17.3%	17.3%	555.3	556.6	0.2%
Inheritance Tax	5.8	7.8	34.5%	34.5%	86.8	100.7	16.0%
Insurance Premium Tax	0.9	0.6	-33.3%	-33.3%	104.9	109.4	4.3%
Cigarette Tax	0.0	0.0	0.0%	0.0%	102.7	94.8	-7.7%
Tobacco Tax	2.5	1.4	-44.0%	-44.0%	18.7	17.2	-8.0%
Beer Tax	1.7	1.3	-23.5%	-23.5%	14.5	14.7	1.4%
Franchise Tax	4.2	5.2	23.8%	23.8%	42.9	47.9	11.7%
Miscellaneous Tax	0.0	0.0	0.0%	0.0%	1.1	1.1	0.0%
Total Gross Taxes	\$ 436.9	\$ 462.7	5.9%	5.9%	\$ 7,558.4	\$ 7,752.0	2.6%
Institutional Payments	1.0	1.1	10.0%	10.0%	14.3	14.5	1.4%
Liquor Profits	8.3	3.2	-61.4%	-61.4%	96.0	95.0	-1.0%
Interest	0.2	0.2	0.0%	0.0%	2.6	2.5	-3.8%
Fees	2.0	2.4	20.0%	20.0%	29.1	27.0	-7.2%
Judicial Revenue	8.9	6.7	-24.7%	-24.7%	108.0	110.0	1.9%
Miscellaneous Receipts	4.1	2.6	-36.6%	-36.6%	39.9	29.2	-26.8%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	40.0	66.0	65.0%
TOTAL GROSS RECEIPTS	\$ 461.5	\$ 478.9	3.8%	3.8%	\$ 7,888.3	\$ 8,096.2	2.6%
Accrued Revenue-Net**					19.8	11.1	
Tax Refunds *	-28.5	-32.6	14.4%	14.4%	-822.2	-898.0	9.2%
School Infrast. Refunds *	-54.7	-68.1	24.5%	24.5%	-411.3	-439.0	6.7%
TOTAL NET RECEIPTS	\$ 378.3	\$ 378.2	0.0%	0.0%	\$ 6,674.6	\$ 6,770.3	1.4%
<p>* For FY 2013 and FY 2014 Year-to-Date columns, refunds are presented on a cash basis. For FY 2013 Actual and FY 2014 Estimate, refunds are presented on a fiscal year basis.</p> <p>** The FY 2013 "Accrued Revenue-Net" is currently estimated.</p>							